Health Care Financing

RESEARCH BRIEF

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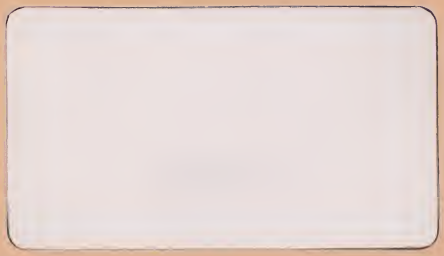
They are based on data from the Medicare statistical files developed and maintained by the Bureau of Data Management and Strategy, Health Care Financing Administration



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Office of Research and Demonstrations

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Research Brief No. 87 - 2
Medicare: Use of Specialty
Hospitals, 1985

Medicare: Use of Specialty Hospitals, 1985

This Research Brief presents information on the use and cost of inpatient services for Medicare beneficiaries discharged from participating specialty hospitals during 1985. Specialty hospitals include: psychiatric, general long-term, rehabilitation, children's, alcohol and drug, and Christian Science sanitoriums. Specialty units of short-stay hospitals are not included in the specialty hospital data presented in this report.

The Social Security Amendments of 1983 (Public Law 98-21) established the statutory framework for the prospective payment system (PPS). PPS radically restructured the payment system by which participating hospitals are reimbursed for inpatient services rendered to Medicare beneficiaries. Section 1886 of the Act categorically excludes from PPS psychiatric, general long-term, rehabilitation, and children's hospitals. A special limited-type exclusion from PPS was provided for alcohol and drug hospitals, and Christian Science sanitoriums. In excluding these hospitals, Congress recognized that appropriate and equitable payment rates for specialty hospital services could not be derived from PPS. Specifically:

- The diagnosis-related group (DRG) patient classification system was not designed to account for the different types of treatment found in specialty hospitals.
- The resource needs of patients in specialty hospitals are not necessarily correlated with diagnosis or DRG.
- As part of a highly differentiated delivery system, specialty hospitals provide services different from general short-stay hospitals.

Medicare continues to pay for covered services furnished to inpatients of specialty hospitals on the basis of reasonable costs. However, reimbursement is limited by target ceilings established under the Tax Equity and Fiscal Responsibility Act of 1982 (Public Law 97-248).

Section 603 of Public Law 98-21 requires the Secretary of Health and Human Services to conduct research studies on whether these specialty hospitals may be included under PPS and how inclusion may be accomplished. In response to this legislative mandate, HCFA has undertaken and funded a wide range of studies over the past 4 years. The question of whether these hospitals can be paid under PPS probably hinges on the development of a patient classification system which will support the equitable reimbursement of specialty inpatient services.

This Brief provides program data which may be used for the development and implementation of a PPS for excluded specialty hospitals. The data supply a basis for: monitoring and evaluating the use and cost of this hospital insurance benefit; and measuring and identifying utilization patterns and trends that affect, to a large degree, the amount of expenditures for benefits. For example, the data show a decrease in the ratio of specialty hospital expenditures to all inpatient hospital expenditures during the past decade. This decrease reflects a shift in the place of treatment (especially for psychiatric illness) from large State hospitals to smaller community-based facilities.

The data compare the use and cost of specialty hospital services with that for all hospitals participating in the Medicare program. The utilization of services are measured by the number of discharges, covered days of care, covered charges, and reimbursement. The data are classified by trends (Table 1), type of hospital (Tables 2 and 5), area of residence (Tables 3 and 4), and major diagnostic classification (Table 5).

This Research Brief was prepared in the Division of Program Studies of the Office of Research. For additional information or for suggestions regarding future topics, please call Charles Helbing at (301) 597-1420 or FTS 987-1420.

Selected Data Highlights

Table 1 - Trends in the Cost of Medicare Specialty Hospital Services: 1969-85

- Medicare program expenditures for specialty hospital inpatient services have, since the inception of the program, been small compared with total inpatient hospital expenditures. This difference reflects a small specialty hospital population and a distinctive nature of treatment and pattern of care delivered by specialty hospitals. Specialty hospitals are more likely to treat patients with chronic illnesses.

- From 1969 to 1985, covered charges for specialty hospital services increased from $89 million to $0.86 billion, an average annual rate of increase of 15.2 percent (Figure 1).

- Similarly, reimbursements for specialty hospital services increased from $59 million to $0.50 billion, an average annual rate of increase of 14.2 percent. (Note: For the purpose of trend analysis, the covered charges and reimbursement amounts for 1985 reflect complete projected population estimates. Please refer to footnote 2 on Table 1 for more detailed information.)

- During this period, specialty hospital reimbursements as a proportion of total Medicare hospital reimbursements gradually decreased, going from a high of 1.7 percent in 1970 to a low of 1.2 percent in 1985.

- This pattern probably reflects a shift in the treatment sites (for persons with psychiatric and other chronic disorders) from large State hospitals to smaller community-based inpatient and outpatient facilities, based on changes, improvements, and advances in medical technology, treatment procedures, and medication.

Table 2 - Use and Cost of Specialty Hospital Services, by Type of Entitlement and Type of Hospital, 1985

- Specialty hospital services under Medicare accounted for about 1.1 percent (110,415) of all inpatient hospital discharges (10.0 million), 2.8 percent (2.35 million) of all inpatient hospital covered days of care (85.2 million), and 1.5 percent ($0.79 billion) of all inpatient hospital covered charges ($52.6 billion).

- Disabled beneficiaries accounted for approximately 40 percent (44,090) of all discharges from specialty hospitals under Medicare. In comparison, disabled beneficiaries accounted for about 11 percent of all short-stay hospital discharges.

- About 58 percent (63,800) of all specialty hospital discharges (110,415) were from psychiatric hospitals. For disabled beneficiaries, over 80 percent (35,670) of all specialty hospital discharges (44,090) were from psychiatric hospitals; for the aged, about 42 percent (28,130) of all specialty hospital discharges (66,325) were from psychiatric hospitals.

- The average covered days of care per discharge for beneficiaries from specialty hospitals was 21.3 days or nearly 2 weeks longer than the corresponding figure for all discharges from short-stay hospitals (8.4 days).

- By type of specialty hospital, the average covered stay was about 0.6 days longer in all other specialty hospitals (21.6 days) than in psychiatric hospitals (21.0 days).

- The average covered charge per discharge for beneficiaries from specialty hospitals was $7,164 or about 37 percent higher than for all discharges from short-stay hospitals ($5,235).

- By type of specialty hospital, the average covered charge per discharge was 57 percent higher for all other specialty hospitals ($9,070) than for psychiatric hospitals ($5,772).

- In specialty hospitals, the average covered charge per discharge for aged beneficiaries ($8,297) was 52 percent higher than that for disabled beneficiaries ($5,460). This difference reflects a higher proportion of aged beneficiaries discharged from non-psychiatric specialty hospitals.

Table 3 - Utilization of Medicare Specialty Hospital Services, by Area of Residence, 1985

- Among the United States census regions, specialty hospital discharges as a percent of all inpatient hospital discharges ranged from a low of 0.8 percent in the North Central region to 1.5 percent in the Northeast region. Similarly, the proportion of specialty hospital covered days of care to all hospital inpatient covered days of care ranged from 1.9 percent in the North Central region to 3.6 percent in the Northeast region.

- The average covered days of care per discharge ranged from a low of 18.8 days in the West region to a high of 24.6 days in the Northeast region, a difference of 31 percent.

- Use of specialty hospital services under Medicare varied considerably by State of residence. Three States--New York (10,935), Pennsylvania (10,525), and California (8,645)--accounted for about 27 percent of all discharges from specialty hospitals. In comparison, Montana, Utah, Wyoming, Alaska, and the District of Columbia recorded approximately 100 discharges from specialty hospitals.

- Among the States, the average covered days of care per specialty hospital discharge ranged from a low of 13.3 days in Montana to a high of 33.7 days in Washington (Figure 2).

- Delaware and Hawaii had the highest relative use of specialty hospital care under the Medicare program. In Delaware, specialty hospital care accounted for 3.9 percent of all inpatient hospital discharges and 8.4 percent of all

covered days of care. In Hawaii, the corresponding figures were 2.2 percent of all inpatient hospital discharges and 5.7 percent of all covered days of care (Figure 3).

Table 4 - Covered Charges, by Area of Residence and Type of Hospital, 1985

- Specialty hospital covered charges under Medicare accounted for an estimated 1.5 percent ($0.79 billion) of all hospital inpatient covered charges ($52.6 billion).

- The average covered charge per discharge for specialty hospital services was $7,164 or about 36 percent higher than the comparable figure ($5,257) for all inpatient hospital services. On the other hand, the average covered charge per covered day of care in specialty hospitals ($337) was about 83 percent lower than that for all inpatient hospitals ($617), reflecting the much longer length of stay in specialty hospitals.

- Among the regions, the proportion of specialty hospital covered charges to all inpatient hospital covered charges ranged from 1.0 percent in the North Central region to 2.5 percent in the Northeast region.

- The average covered charge per discharge ranged from $5,597 in the South region to $9,599 in the Northeast region, a difference of 72 percent.

- Among the States, the average covered charge per discharge for specialty hospital services ranged from a low of $2,714 in South Carolina to a high of $11,514 in Michigan. The average covered charge per covered day ranged from $141 in South Carolina to $501 in California.

- The proportion of covered charges in specialty hospitals to covered charges in all inpatient hospitals varied among the States, ranging from a low of 0.2 percent in Utah to a high of 3.7 percent in Hawaii.

Table 5 - Utilization of Medicare Specialty Hospital Services, by Type of Hospital and Major Diagnostic Classification, 1985

- For all specialty hospitals, the distribution of discharges by major diagnostic classification was as follows: mental disorders (58 percent), diseases of the nervous system and sense organs (8 percent), diseases of the circulatory system (7 percent), and all other classifications (27 percent) (Figure 4).

- Approximately 58 percent (63,800) of all discharges from specialty hospitals (110,415) were from psychiatric hospitals. Nearly all of these psychiatric discharges had a major diagnostic classification of mental disorders.

- Long-term hospitals accounted for 19 percent (21,460) of all specialty hospital discharges. The leading causes of hospitalization in long-term hospitals were diseases of the circulatory system, diseases of the nervous system and sense organs, and diseases of the respiratory system.

- Rehabilitation hospitals accounted for another 19 percent (21,300) of all specialty hospital discharges. The leading major diagnostic conditions in these hospitals were diseases of the nervous system and sense organs, and diseases of the musculoskeletal system and connective tissue.

- Children's hospitals accounted for only 2 percent of all discharges from specialty hospitals. The leading major diagnostic classification was diseases of the circulatory system, especially chronic ischemic heart disease

- The average covered days of care per discharge in specialty hospitals was 21.3 days. By type of hospital, the average stay ranged from 8.6 days in children's hospitals to 22.6 days in rehabilitation hospitals (Figure 5).

- The average covered charge per discharge from specialty hospitals was $7,164. By type of hospital, the average charge ranged from $5,772 in psychiatric hospitals to $11,478 in children's hospitals, a difference of nearly 100 percent (Figure 5).

- The high average covered charge per discharge in children's hospitals reflects the extremely high charge per day ($1,327) which was more than 4 times greater than that for all specialty hospitals ($337). The ratio of ancillary charges to total charges in children's hospitals (75 percent) was found to be about 3 times greater than that for all specialty hospitals (25 percent) (data not shown in Table 5).

Table 1

Medicare: Total Inpatient Hospital Reimbursements and Specialty Hospital Reimbursements,1969-85

Calendar Year	Total Inpatient Hospital		Specialty Hospital 1/		
	Covered Charges in Millions	Reimbursements in Millions	Covered Charges in Millions	Reimbursements in Millions	Percent of Total Inpatient Reimbursements
1969	$5,194	$4,155	$89	$59	1.4
1970	5,958	4,635	130	77	1.7
1971	6,840	5,226	188	83	1.6
1972	7,495	5,738	161	88	1.5
1973	8,756	6,728	147	114	1.7
1974	10,769	8,177	182	141	1.7
1975	13,378	10,122	222	170	1.7
1976	16,298	12,232	257	191	1.6
1977	19,546	14,378	329	243	1.7
1978	22,898	16,557	356	258	1.6
1979	26,698	19,073	371	261	1.4
1980	32,646	22,785	435	301	1.3
1981	39,446	27,173	516	357	1.3
1982	47,891	32,021	615	411	1.3
1983	55,030	35,369	724	470	1.3
1984	53,987	38,500 3/	850	534	1.4
1985 2/	52,624	40,000 3/	791 4/	496 4/	1.2

1/ Specialty hospitals shown in this report include long-term, psychiatric, childrens, rehabilitation, alcohol and drug, and Christian Science sanitoriums.

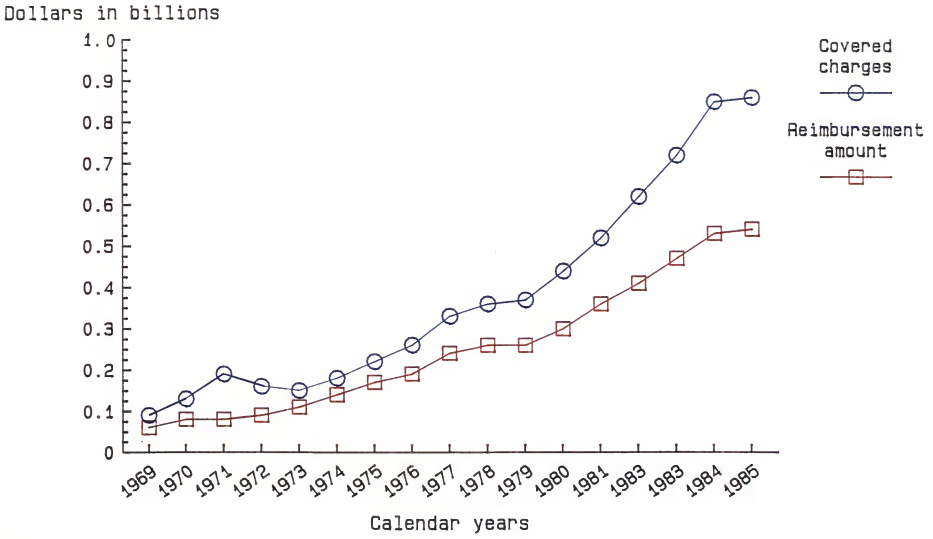
2/ Preliminary estimates based on bill records processed through December 1986 and recorded in HCFA utilization tabulations. These figures are estimated to be about 8 percent below the total expected population amounts for 1985.

3/ Short-stay hospital inpatient care reimbursement amounts are based on expenditures (PPS and non-PPS) reported on the HCFA inpatient hospital billing form (HCFA-1450) plus PPS pass through expenditures reported on the HCFA intermediary benefit payment report. Reimbursement amounts for these years should be used with extreme caution.

4/ Covered charges and reimbursement amounts for specialty hospitals during 1985 are projected to be an estimated 860 million and 540 million, respectively.

Figure 1

Medicare: Specialty hospital covered charges and reimbursement for inpatient services, 1969-85



Source: Office of Research and Demonstrations

Table 2

Medicare: Number of Discharges, Covered Days of Care, and Covered Charges
by Type of Entitlement and Type of Hospital, 1985 1/

Type of Entitlement and Type of Hospital	Discharges 2/		Covered Days			Covered Charges			
	Total	Percent of Total	Total	Percent of Total	Per Discharge	Amount in Thousands	Percent of Total	Per Discharge	Per Day
All Beneficiaries	10,011,130	100.0	85,234,160	100.0	8.5	$52,623,882	100.0	$5,257	$617
Short-Stay Hospitals	9,900,715	98.9	82,886,820	97.2	8.4	51,832,815	98.5	5,235	625
Specialty Hospitals	110,415	1.1	2,347,340	2.8	21.3	791,067	1.5	7,164	337
Psychiatric Hospitals	63,800	0.6	1,342,555	1.6	21.0	368,276	0.7	5,772	274
All Other Hospitals	46,615	0.5	1,004,785	1.2	21.6	422,791	0.8	9,070	421
Aged Beneficiaries	8,878,625	88.7	75,417,475	88.5	8.5	46,580,131	88.5	5,246	618
Short-Stay Hospitals	8,812,300	88.0	73,919,440	86.7	8.4	46,029,803	87.5	5,223	623
Specialty Hospitals	66,325	0.7	1,498,035	1.8	22.6	550,328	1.0	8,297	367
Psychiatric Hospitals	28,130	0.3	640,165	0.8	22.8	201,073	0.4	7,148	314
All Other Hospitals	38,195	0.4	857,870	1.0	22.5	349,255	0.7	9,144	407
Disabled Beneficiaries	1,132,505	11.3	9,816,685	11.5	8.7	6,043,751	11.5	5,337	616
Short-Stay Hospitals	1,088,415	10.9	8,967,380	10.5	8.2	5,803,012	11.0	5,332	647
Specialty Hospitals	44,090	0.4	849,305	1.0	19.3	240,739	0.5	5,460	283
Psychiatric Hospitals	35,670	0.4	702,390	0.8	19.7	167,203	0.3	4,687	238
All Other Hospitals	8,420	0.1	146,915	0.2	17.4	73,536	0.1	8,733	501
All Other Hospitals	8,420	0.1	146,915	0.2	17.4	73,536	0.1	8,733	501

1/ Based on discharge records processed through December 1986 and included in the file used to prepare this report.
2/ Excludes discharges with zero covered days of care.

Table 3
Medicare: Number of Discharges, Covered Days of Care, and Average Length of Covered Stay per Discharge by Area of Residence and Type of Hospital, 1985 1/

Area of Residence	Discharges 2/			Covered Days of Care			
	All Hospitals	Specialty Hospitals		All Hospitals		Specialty Hospitals	
	Number	Number	Percent of All Discharges	Number	Per Discharge	Number	Per Discharge	Percent of All Days
All Areas	10,011,130	110,415	1.1	85,234,160	8.5	2,347,340	21.3	2.8
United States	9,936,445	109,600	1.1	84,615,830	8.5	2,331,650	21.3	2.8
Northeast	2,228,250	34,345	1.5	23,198,620	10.4	845,130	24.6	3.6
North Central	2,624,825	20,220	0.8	21,715,175	8.3	409,500	20.3	1.9
South	3,525,580	39,915	1.1	28,478,585	8.1	793,465	19.9	2.4
West	1,557,245	15,115	1.0	11,219,140	7.2	283,425	18.8	2.5
New England	546,970	8,525	1.6	5,255,945	9.6	191,030	22.4	3.6
Connecticut	120,155	1,840	1.5	1,141,310	9.5	35,570	19.3	3.1
Maine	57,140	325	0.6	469,320	8.2	5,545	17.1	1.2
Massachusetts	261,920	4,950	1.9	2,671,455	10.2	123,570	25.0	4.6
New Hampshire	40,000	345	0.9	334,255	8.4	7,895	22.9	2.4
Rhode Island	45,925	995	2.2	464,725	10.1	16,930	17.0	3.6
Vermont	21,830	70	0.3	174,880	8.0	1,520	21.7	0.9
Middle Atlantic	1,681,280	25,820	1.5	17,942,675	10.7	654,100	25.3	3.6
New Jersey	302,190	4,360	1.4	3,482,760	11.5	106,865	24.5	3.1
New York	729,195	10,935	1.5	8,441,665	11.6	283,525	25.9	3.4
Pennsylvania	649,895	10,525	1.6	6,018,250	9.3	263,710	25.1	4.4
East North Central	1,759,030	13,575	0.8	15,086,415	8.6	271,880	20.0	1.8
Illinois	507,130	3,315	0.7	4,565,615	9.0	63,015	19.0	1.4
Indiana	223,130	1,310	0.6	1,819,990	8.2	22,720	17.3	1.2
Michigan	361,810	2,355	0.7	3,157,565	8.7	65,015	27.6	2.1
Ohio	458,230	3,265	0.7	3,894,850	8.5	62,995	19.3	1.6
Wisconsin	208,730	3,330	1.6	1,648,395	7.9	58,135	17.5	3.5
West North Central	865,795	6,645	0.8	6,628,760	7.7	137,620	20.7	2.1
Iowa	143,645	730	0.5	1,080,125	7.5	18,865	25.8	1.7
Kansas	127,730	495	0.4	941,445	7.4	15,300	30.9	1.6
Minnesota	160,025	830	0.5	1,137,115	7.1	19,710	23.7	1.7
Missouri	277,285	2,830	1.0	2,343,245	8.5	47,765	16.9	2.0
Nebraska	79,275	485	0.6	580,455	7.3	14,530	30.0	2.5
North Dakota	36,585	595	1.6	263,145	7.2	10,975	18.4	4.2
South Dakota	41,250	680	1.6	283,230	6.9	10,475	15.4	3.7
South Atlantic	1,672,100	22,550	1.3	14,172,870	8.5	452,420	20.1	3.2
Delaware	26,030	1,025	3.9	240,065	9.2	20,070	19.6	8.4
Dist. of Columbia	22,635	105	0.5	271,525	12.0	1,545	14.7	0.6
Florida	629,450	6,105	1.0	5,137,720	8.2	114,940	18.8	2.2
Georgia	257,140	5,220	2.0	1,950,300	7.6	83,670	16.0	4.3
Maryland	157,940	2,020	1.3	1,553,485	9.8	59,870	29.6	3.9
North Carolina	191,200	3,215	1.7	1,706,575	8.9	73,435	22.8	4.3
South Carolina	129,345	2,210	1.7	1,146,930	8.9	42,535	19.2	3.7
Virginia	146,915	1,990	1.4	1,320,505	9.0	43,220	21.7	3.3
West Virginia	111,445	660	0.6	845,765	7.6	13,135	19.9	1.6

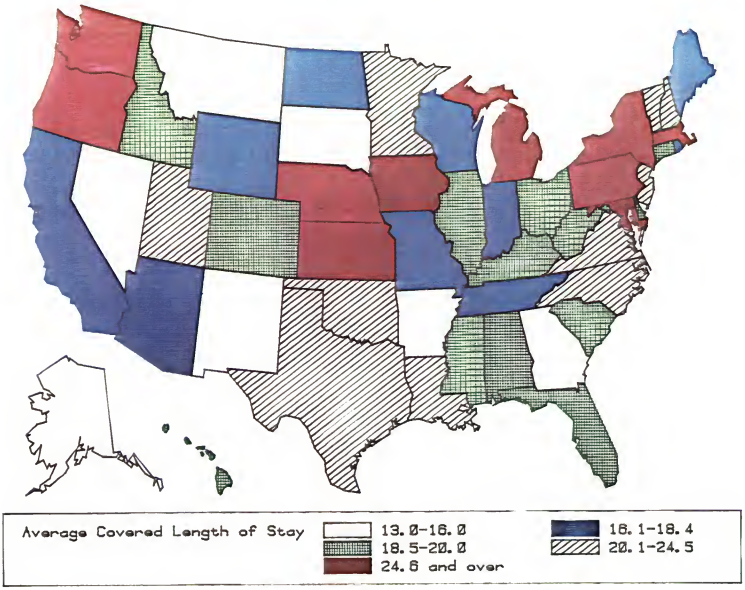
See footnotes at end of table.

Table 3 (Continued)
Medicare: Number of Discharges, Covered Days of Care, and Average Length of Covered Stay per Discharge
by Area of Residence and Type of Hospital, 1985 1/

Area of Residence	Discharges 2/			Covered Days of Care			
	All Hospitals	Specialty Hospitals		All Hospitals		Specialty Hospitals	
	Number	Number	Percent of All Discharges	Number	Per Discharge	Number	Per Discharge	Percent of All Days
East South Central	795,600	6,840	0.9	6,327,835	8.0	126,700	18.5	2.0
Alabama	205,730	1,730	0.8	1,632,360	7.9	33,600	19.4	2.1
Kentucky	192,125	1,945	1.0	1,524,245	7.9	36,410	18.7	2.4
Mississippi	150,315	1,005	0.7	1,131,505	7.5	19,910	19.8	1.8
Tennessee	247,430	2,160	0.9	2,039,725	8.2	36,780	17.0	1.8
West South Central	1,057,880	10,525	1.0	7,977,880	7.5	214,345	20.4	2.7
Arkansas	147,485	2,155	1.5	1,056,005	7.2	33,930	15.7	3.2
Louisiana	197,650	2,080	1.1	1,513,030	7.7	47,310	22.7	3.1
Oklahoma	148,380	1,390	0.9	1,120,050	7.5	32,025	23.0	2.9
Texas	564,365	4,900	0.9	4,288,795	7.6	101,080	20.6	2.4
Mountain	418,015	3,915	0.9	2,965,615	7.1	72,285	18.5	2.4
Arizona	123,750	820	0.7	932,960	7.5	15,070	18.4	1.6
Colorado	91,675	1,525	1.7	669,040	7.3	30,190	19.8	4.5
Idaho	37,555	595	1.6	241,535	6.4	11,490	19.3	4.8
Montana	36,045	90	0.2	226,465	6.3	1,200	13.3	0.5
Neveda	29,710	300	1.0	231,650	7.8	4,790	16.0	2.1
New Mexico	48,680	415	0.9	333,265	6.8	6,395	15.4	1.9
Utah	33,445	65	0.2	215,185	6.4	1,365	21.0	0.6
Wyoming	17,155	105	0.6	115,415	6.7	1,785	17.0	1.5
Pacific	1,139,230	11,200	1.0	8,253,525	7.2	211,140	18.9	2.6
Alaska	5,575	65	1.2	40,105	7.2	1,490	22.9	3.7
California	848,100	8,645	1.0	6,315,825	7.4	139,235	16.1	2.2
Hawaii	24,175	535	2.2	189,550	7.8	10,715	20.0	5.7
Oregon	108,170	700	0.6	675,925	6.2	17,445	24.9	2.6
Washington	153,210	1,255	0.8	1,032,120	6.7	42,255	33.7	4.1
Residence Unknown	545	5	0.9	4,310	7.9	130	26.0	3.0
Other Areas	72,385	790	1.1	596,825	8.2	15,390	19.5	2.6
Puerto Rico	70,785	790	1.1	581,345	8.2	15,390	19.5	2.6
All Other Areas	1,600	0	0.0	15,480	9.7	0	0.0	0.0
Foreign	2,300	25	1.1	21,505	9.4	300	12.0	1.4

1/ Based on discharge records processed through December 1986 and included in the file used to prepare this report.
2/ Excludes discharges with zero covered days of care.

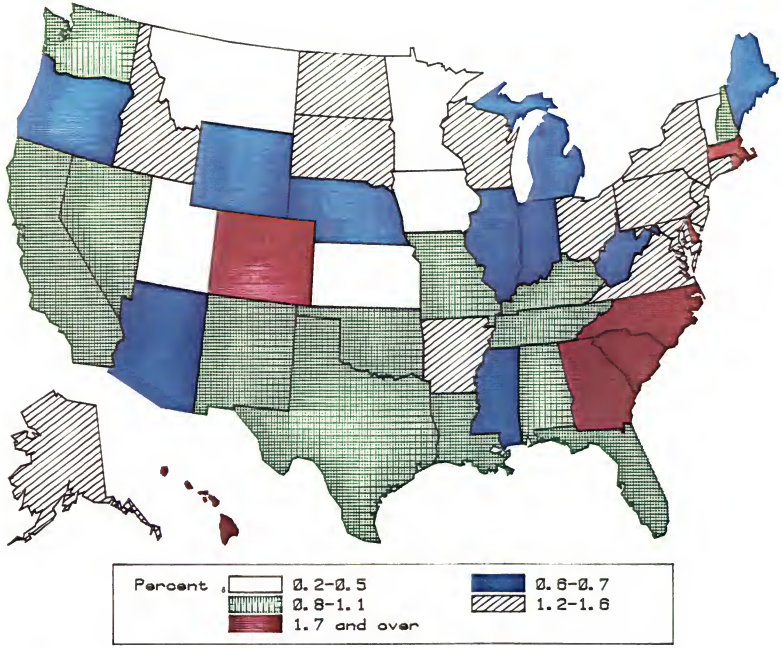
Figure 2
Medicare: Average covered length of stay for beneficiaries
discharged from participating specialty hospitals, 1985



Source: Office of Research and Demonstrations

Figure 3

Medicare: Discharges from specialty hospitals as a percentage of discharges from all participating inpatient hospitals, 1985



Source: Office of Research and Demonstrations

Table 4

Medicare: Covered Charges by Area of Residence and Type of Hospital, 1985 1/

Area of Residence	All Hospitals			Specialty Hospitals			
	Covered Charges in Thousands	Per Discharge	Per day	Covered Charges in Thousands	Per Discharge	Per Day	Percent of Total Covered Charges
All Areas	$52,623,882	$5,257	$617	$791,067	$7,164	$337	1.5
United States	52,419,542	5,275	620	788,459	7,194	338	1.5
Northeast	13,080,623	5,870	564	329,686	9,599	390	2.5
North Central	13,124,565	5,000	604	125,011	6,183	305	1.0
South	16,738,656	4,748	588	223,398	5,597	282	1.3
West	9,472,614	6,083	844	110,321	7,299	389	1.2
New England	2,965,865	5,422	564	71,258	8,359	373	2.4
Connecticut	662,205	5,511	580	12,728	6,918	358	1.9
Maine	257,721	4,510	549	1,628	5,010	294	0.6
Massachusetts	1,553,237	5,930	581	49,153	9,930	398	3.2
New Hampshire	179,164	4,479	536	2,638	7,647	334	1.5
Rhode Island	225,411	4,908	485	4,806	4,830	284	2.1
Vermont	88,128	4,037	504	304	4,350	200	0.3
Middle Atlantic	10,114,758	6,016	564	258,427	10,009	395	2.6
New Jersey	1,631,010	5,397	468	37,661	8,638	352	2.3
New York	4,350,472	5,966	515	100,325	9,175	354	2.3
Pennsylvania	4,133,276	6,360	687	120,442	11,443	457	2.9
East North Central	9,323,179	5,300	618	95,184	7,012	350	1.0
Illinois	3,039,256	5,993	666	29,052	8,764	461	1.0
Indiana	967,632	4,337	532	5,980	4,565	263	0.6
Michigan	2,204,920	6,094	698	27,116	11,514	417	1.2
Ohio	2,254,621	4,920	579	15,745	4,822	250	0.7
Wisconsin	856,751	4,105	520	17,290	5,192	297	2.0
West North Central	3,801,386	4,391	573	29,827	4,489	217	0.8
Iowa	569,830	3,967	528	2,368	3,244	126	0.4
Kansas	541,630	4,240	575	2,491	5,033	163	0.5
Minnesota	671,860	4,198	591	3,109	3,746	158	0.5
Missouri	1,402,907	5,059	599	13,088	4,625	274	0.9
Nebraska	318,547	4,018	549	3,073	6,336	211	1.0
North Dakota	150,762	4,121	573	2,914	4,898	266	1.9
South Dakota	145,850	3,536	515	2,784	4,095	266	1.9
South Atlantic	8,538,577	5,106	602	120,980	5,365	267	1.4
Delaware	138,406	5,317	577	4,689	4,575	234	3.4
Dist. of Columbia	203,486	8,990	749	609	5,796	394	0.3
Florida	3,750,070	5,958	730	41,729	6,835	363	1.1
Georgia	1,081,107	4,204	554	19,819	3,797	237	1.8
Maryland	781,160	4,946	503	13,687	6,776	229	1.8
North Carolina	809,765	4,235	474	17,317	5,386	236	2.1
South Carolina	585,114	4,524	510	5,998	2,714	141	1.0
Virginia	715,205	4,868	542	13,442	6,755	311	1.9
West Virginia	474,264	4,256	561	3,691	5,592	281	0.8

See footnotes at end of table.

Table 4 (Continued)

Medicare: Covered Charges, by Area of Residence and Type of Hospital, 1985 1/

Area of Residence	All Hospitals			Specialty Hospitals			
	Covered Charges in Thousands	Per Discharge	Per day	Covered Charges in Thousands	Per Discharge	Per Day	Percent of Total Covered Charges
East South Central	3,503,853	4,404	554	41,547	6,074	328	1.2
Alabama	1,036,415	5,038	635	11,749	6,791	350	1.1
Kentucky	774,382	4,031	508	11,283	5,801	310	1.5
Mississippi	541,285	3,601	478	9,849	9,800	495	1.8
Tennessee	1,151,772	4,655	565	8,666	4,012	236	0.8
West South Central	4,696,226	4,439	589	60,870	5,783	284	1.3
Arkansas	548,538	3,719	519	9,156	4,249	270	1.7
Louisiana	934,287	4,727	617	13,736	6,604	290	1.5
Oklahoma	653,881	4,407	584	6,741	4,850	211	1.0
Texas	2,559,520	4,535	597	31,237	6,375	309	1.2
Mountain	2,076,249	4,967	700	24,808	6,337	343	1.2
Arizona	678,598	5,484	727	5,358	6,534	356	0.8
Colorado	439,611	4,795	657	10,664	6,993	353	2.4
Idaho	143,358	3,817	594	4,199	7,057	365	2.9
Montana	133,261	3,697	588	403	4,473	335	0.3
Nevada	246,198	8,287	0	1,218	4,060	254	0.5
New Mexico	226,692	4,657	680	1,966	4,738	307	0.9
Utah	142,055	4,247	660	244	3,755	179	0.2
Wyoming	66,476	3,875	576	756	7,201	424	1.1
Pacific	7,396,365	6,492	896	85,513	7,635	405	1.2
Alaska	29,076	5,215	725	506	7,781	339	1.7
California	6,088,525	7,179	964	69,706	8,063	501	1.1
Hawaii	132,495	5,481	699	4,870	9,104	455	3.7
Oregon	484,358	4,478	717	3,472	4,960	199	0.7
Washington	661,911	4,320	641	6,959	5,545	165	1.1
Residence Unknown	3,084	5,658	715	43	8,575	330	1.4
Other Areas	188,690	2,607	316	2,494	3,157	162	1.3
Puerto Rico	182,502	2,578	314	2,494	3,157	162	1.4
All Other Areas	6,188	3,868	400	0	0	0	0.0
Foreign	15,650	6,804	728	114	4,567	381	0.7

1/ Based on discharge records processed through December 1986 and included in the file used to prepare this report.

Table 5

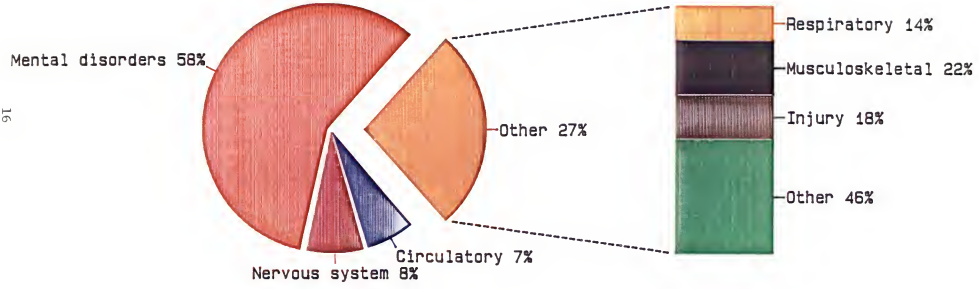
Medicare: Number of Discharges, Average Covered Days per Discharge, and Average Covered Charge per Discharge in Specialty Hospitals, by Type of Hospital and Selected Leading Major Diagnostic Classifications, 1985

Major Diagnostic Classification	ICD-9-CM Code 1/	All Specialty Hospitals	Long-Term 2/	Rehabilitation	Children's	Psychiatric	All Other 3/
			Number of Discharges				
Total	-------	110,415	21,460	21,300	1,795	63,800	2,060
Mental Disorders	290-319	64,255	635	170	20	62,315	1,115
Diseases of the Nervous System and Sense Organs	320-389	9,215	3,740	5,320	15	140	0
Diseases of the Circulatory System	390-459	7,395	3,985	3,000	290	120	0
Diseases of the Respiratory System	460-519	4,240	3,355	210	135	100	440
Diseases of the Musculoskeletal System and Connective Tissue	710-739	6,635	1,545	4,975	65	50	0
Injury and Poisoning	800-999	5,220	1,760	3,110	250	100	0
All Other Classifications	-------	13,455	6,440	4,515	1,020	975	505
			Average Covered Day per Discharge				
Total	-------	21.3	21.8	22.6	8.6	21.0	19.6
Mental Disorders	290-319	20.8	17.2	17.9	4.0	21.0	14.5
Diseases of the Nervous System and Sense Organs	320-389	27.6	28.9	27.0	1.7	16.7	0.0
Diseases of the Circulatory System	390-459	23.1	23.0	25.4	4.5	14.3	0.0
Diseases of the Respiratory System	460-519	16.5	16.1	14.9	8.8	13.7	23.0
Diseases of the Musculoskeletal System and Connective Tissue	710-739	19.9	20.8	19.7	13.3	21.1	0.0
Injury and Poisoning	800-999	20.7	23.3	20.5	8.0	12.9	0.0
All Other Classifications	-------	20.3	20.2	20.6	9.7	26.3	27.8
			Average Covered Charge per Discharge				
Total	-------	$7,164	$8,778	$9,573	$11,478	$5,772	$4,805
Mental Disorders	290-319	5,791	4,988	6,103	3,613	5,812	5,052
Diseases of the Nervous System and Sense Organs	320-389	11,599	11,057	12,174	2,881	5,169	0
Diseases of the Circulatory System	390-459	9,947	8,751	11,322	14,621	3,983	0
Diseases of the Respiratory System	460-519	6,267	6,574	7,129	7,982	2,061	3,944
Diseases of the Musculoskeletal System and Connective Tissue	710-739	8,388	8,397	8,161	13,070	6,044	0
Injury and Poisoning	800-999	8,496	9,093	8,262	9,683	2,287	0
All Other Classifications	-------	8,320	8,856	8,049	11,666	4,252	5,012

1/ International Classification of Diseases, 9th Revision, Clinical Modification (Volume 1).
2/ Some hospitals excluded from the Medicare prospective payment system under the long-term hospital designation might also qualify for exception under another designation; that is, psychiatric, rehabilitation, etc.
3/ Includes alcohol and drug hospitals and Christian Science sanitoriums.

Figure 4

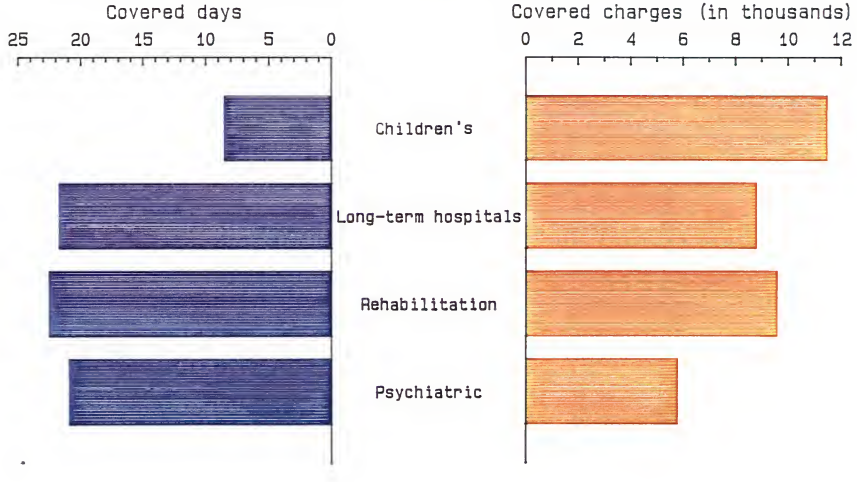
Medicare: Distribution of beneficiaries discharged from specialty hospitals, by major diagnostic classification, 1985



Source: Office of Research and Demonstrations

Figure 5

Medicare: Average covered days of care per discharge and average covered charge per discharge, by type of specialty hospital, 1985



Source: Office of Research and Demonstrations

Definition of Terms

Specialty hospitals: Hospitals certified as participating facilities under Medicare and characterized by the distinctive nature of the treatment they provide. These hospitals include: psychiatric, rehabilitation, children's, long-term, and alcohol and drug.

Psychiatric hospitals: Hospitals that are primarily engaged in providing, by or under the supervision of a psychiatrist, psychiatric services for the diagnosis and treatment of mentally ill persons.

Rehabilitation hospitals: Hospitals that must have treated, during their most recent cost periods, an inpatient population of which at least 75 percent required intensive rehabilitative services for the treatment of one or more conditions: stroke, spinal cord injury, congenital deformity, amputation, major multiple trauma, hip fracture, brain injury, or polyarthritis, including rheumatoid arthritis. Treatment director must be a Doctor of Medicine or Osteopathy.

Children's hospitals: Hospitals engaged in providing services to inpatients who are predominantly under the age of 13.

Long-term hospitals: Hospitals having an average length of inpatient stay longer than 25 days.

Alcohol/drug hospitals: Hospitals designed to correspond to the staffing and treatment practices of alcohol/drug programs.

Short-stay hospitals: General and special hospitals certified as participating facilities under Medicare and reporting average stays shorter than 25 days.

Specialty units of short-stay hospitals: Units certified as separate cost entities of short-stay hospitals and categorically excluded from PPS.

Covered day of care: A day of inpatient hospital care during which the services covered by Medicare were furnished to a person eligible for hospital insurance benefits.

Discharge: The formal release of a patient from a hospital. Discharges include persons who died during their hospitalization or were transferred to another hospital.

Hospital charges: The hospital's charges for room, board, and ancillary services as recorded on the billing form (HCFA 1450).

Covered charges: The charges payable by the Medicare program after the exclusion of the deductible and noncovered charges from the total charges.

Sources and Limitations of Data

The data shown in this Brief were derived from the Health Care Financing Administration's (HCFA) hospital inpatient stay record file. This file is generated by linking information from three HCFA master program files for a 20-percent sample of Medicare beneficiaries. The data, therefore, are subject to sampling variability. Sample counts were multiplied by a factor of 5 to estimate population totals.

The data represent inpatient records received and processed in HCFA as of December 1986. Discharges for 1985 recorded after that date were not included in the file used to prepare this report. A complete count of all Medicare discharge records for 1985 will probably total an estimated 8 percent more than the figure shown in this study.

For the most part, the reimbursement amounts shown in Table 1 for calendar years 1969 through 1983, represent payments under the hospital insurance program based on interim rates established to reflect costs as closely as possible. These interim rates were established as a per diem amount or as a percentage of total charges.

Most of the Medicare short-stay hospital reimbursements shown in this report for 1984 and 1985 represent payments for inpatient services rendered by those short-stay hospitals brought under the new Medicare prospective payment system (PPS), which became effective October 1, 1983. The prospective payment rate serves as the Medicare payment for all inpatient services (other than physician) associated with each discharge. The reimbursement amounts shown in Table 1 for 1984 and 1985 for specialty hospitals excluded from PPS continue to represent payments for covered inpatient services based on the providers' reasonable costs of operation. Reimbursement amounts, however, are limited by budget ceilings established under the Tax Equity and Fiscal Responsibility Act of 1982.

Specialty hospital discharge records shown in this Brief were identified via the presence of a number code ranging from one to four in the third digit of the provider number. Short-stay hospital discharge records (including specialty units of short-stay hospitals) were identified via the presence of a zero in the third digit of the provider number.

Acknowledgments

A substantial portion of the background material presented in the first section of this report was based on information contained in the Secretary's Report to Congress: Developing a Prospective Payment System for Excluded Hospitals. As of April 1987, the report was in the final stage of Departmental clearance. The report, mandated under Public Law 98-21, was prepared by HCFA's Office of Research and Demonstrations. John C. Langenbrunner was the primary author and Patricia Willis served as the project director.

Recent Releases

The following Health Care Financing Research Briefs were recently disseminated and are available upon request from the Office of Research and Demonstrations, Office of Research, Division of Program Studies, Information Services Branch:

- No. 85 - 1 Medicare: Inpatient Use of Short-Stay Hospitals, 1983
- No. 85 - 2 Hospital Outpatient Services Under Medicare: Trends and Demographic Variations, 1983
- No. 85 - 3 Medicare: Use and Charges for Inpatient Services in Short-Stay Hospitals, by Diagnosis-Related Groups, Calendar Years 1981 and 1984
- No. 85 - 4 Medicare: Surgical Procedures in Short-Stay Hospitals, by Census Region, 1983
- No. 86 - 1 Medicare: Use and Cost of Home Health Agency Services, 1983
- No. 86 - 2 Medicare: Participating Providers and Suppliers of Health Services, December 1985
- No.86 - 3 Raising the Age of Eligibility for Medicare to Age 67
- No. 86 - 4 Medicare: Use of Skilled Nursing Facilities, 1984
- No. 87 - 1 Medicare: Inpatient Use of Short-Stay Hospital Services by Beneficiaries with a Diagnosis of Diabetes Mellitus, 1984

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